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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES COMPANY FOR
AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY FOR WASTEWATER
SERVICE.

DOCKET NO. WS-02987A-04-0889

**JOHNSON UTILITIES COMPANY'S
RESPONSE TO STAFF REPORT**

Applicant Johnson Utilities Company ("JUC") hereby files its response to the Staff Report dated March 4, 2005 in this docket. Specifically, JUC's response is limited to suggesting an alternative to Staff's recommended condition number 5 (Staff Report at 8). For the reasons explained below, JUC respectfully suggests that its alternative condition will serve the same purpose and protect the public interest in the same manner as Staff's proposed condition.

RESPONSE

In the Staff Report, Staff raises the issue of a recent lawsuit brought against George Johnson, President of JUC, Johnson International and several other Johnson-owned entities by the State of Arizona. (Staff Report at 6-7). Although JUC disagrees with Staff's characterization of these entities as "financial affiliates"—chiefly, because it is unclear what the term means, JUC agrees that it shares common ownership and control with the defendants in the lawsuit. Of course, it is the position of those defendants that the State's allegations, including its public pronouncements, are, at best, exaggerated and misleading. More importantly, however, as the Staff Report reflects, JUC was not named in the La Osa Ranch lawsuit and none of the State's claims "include actions taken as a public service corporation." (Staff Report at 7). Put bluntly, JUC does not believe the action brought by the State has any impact on or relationship to this

1 docket or JUC's ongoing operations.

2 Nevertheless, JUC is acutely aware of the Commission's broad view of its duty to protect
3 the public interest and concurs with Staff that JUC needs to assure the Commission that the
4 State's lawsuit against Mr. Johnson, et al, will not detrimentally impact JUC's ratepayers. For
5 this reason, JUC has promised to provide information on the relationship between Johnson
6 International and JUC and does not oppose Staff's recommendation that JUC provide quarterly
7 reports on the status and events in the La Osa Ranch litigation. (Staff Report at 7-8). Nor does
8 JUC oppose filing additional information regarding any relationships and transactions between
9 JUC and the entities named in the La Osa Ranch litigation. However, Staff's recommendation
10 that JUC voluntarily comply with A.A.C. R14-2-801 *et seq.* by filing affiliated interest reports is
11 overbroad.

12 Instead, JUC proposes that it be required to make a filing containing the following
13 information regarding each of the defendants in the La Osa Ranch litigation:

- 14 1. The name, home office location and description of any of the entities that
15 are named as defendants in the lawsuit, their relationship to each other and
16 JUC, and the general nature of their business.
- 17 2. A brief description of the business activities conducted by any entity
18 identified in number 1 above.
- 19 3. A description of plans for the entities identified in number 1 above to
20 modify or change business activities, enter into a new business venture or
21 to acquire, merge or otherwise establish a new business entity.
- 22 4. An assessment of the effect of current and planned affiliated activities by
23 each entity identified in number 1 on JUC's capital structure and its ability
24 to attract capital at fair and reasonable rates.

1 COPY hand-delivered this 11th day of March, 2004:

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